

P. O. Box 463
Washington 4, D. C.
31 May 1961

Mr. Joseph E. Jones
Mutual of Omaha
Suite 102, Ring Building
Washington, D. C.

Dear Joe:

Attached is a copy of a letter received the other
day from the Civil Service Commission.

I am also sending a copy of this to Al Randall.

Very truly yours,


President
GEHA, Inc.

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WCC-  STAT

UNITED STATES CIVIL SERVICE COMMISSION

BUREAU OF RETIREMENT AND INSURANCE

WASHINGTON 25, D.C.

ADDRESS REPLY TO
"U.S. CIVIL SERVICE COMMISSION"
AND REFER TO

FILE RH:RWO:jf

AND DATE OF THIS LETTER

MAY 26 1961

Government Employees Health Association
Post Office Box 463
Washington 4, D. C.

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Dear

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We acknowledge your letter of April 18 to Mr. Kator, enclosing the Interim Accounting Statement for the period July 1 - December 31, 1960, as prepared by your carrier, Mutual of Omaha. While the Statement was late, we appreciate your efforts in getting it to us.

Line 1C shows subscriptions received and accrued of \$523,062.77. This appears to be a substantial understatement of subscriptions. We are unable to reconcile the figures (received, accrued, or total) with our payments made to your organization. We are enclosing a listing of remittances made to your organization since the inception of the plan, with the thought that it may be helpful in correcting the understatement of subscriptions.

Lines 2B(2)(a) and (b) for Health Benefits Accrued are supported by Work Papers which purport to show how an 82% reserve factor was determined. We are curious as to why the claims experience of the period August 1, 1956 to February 1, 1957 would be applicable to this contract. While there may be some justification for going back approximately four years, it is not readily apparent.

In addition, the Work Papers show --

"Claims paid August 1, 1956 to February 1, 1957
and incurred during that same period..... \$121,382.19

Claims incurred August 1, 1956 to February 1, 1957.. 210,798.19
Incurred as percentage of incurred 181.90%"

It would appear from the previous experience that incurred claims as a percentage of paid (rather than incurred) claims was more nearly 173.7% than the 181.90% shown. The fact that the 82% reserve recorded on lines 2B(2)(a) and (b) is thus not supported by Work Papers or a reasonable justification makes it difficult to appraise the statement.


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Mutual failed to submit any Work Papers supporting the \$21,916.33 shown as underwriters expense. Even though the total claimed was less than the 4.5% allowed in the contract, Work Papers should have been submitted.

It was noticed that Mutual showed on line 3C a commission rate of 0.47%, whereas the contract shows that a higher percentage would be permissible, i.e., 0.63%. On line 3D they show a Risk Charge of 1.30%, but a percentage of 1.47% would be permissible. We are wondering if Mutual made a mistake, or if they intended to use the lower percentage.

In view of the present date, we are not suggesting a revision to the December 31 Statement. We are hoping that all of the above points may be taken into consideration in the Interim Accounting Statement for the period ending March 31. We are likewise hoping that the Statement may reach us close to its due date of June 1, 1961.

Sincerely yours,

A handwritten signature in cursive script, reading "Harold E. Hunsaker".

Harold E. Hunsaker
Assistant to the Director

Enclosure - 19058

GOVERNMENT EMPLOYEES HEALTH ASSOCIATION

Subscriptions Paid

<u>Date</u>	<u>SF 1166a</u>	<u>Amount</u>	<u>Cumulative</u>
September 10, 1960	108	\$103,300.39	
October 7, 1960	169	103,627.20	\$206,927.59
October 10, 1960	184	148.75	207,076.34
November 10, 1960	260	238.59	207,314.93
	284	104,457.95	311,772.88
December 6, 1960	323	104,975.61	416,748.49
December 9, 1960	338	353.20	417,101.69
January 5, 1961	399	106,007.79	523,109.48
January 11, 1961	438	430.27	523,539.75
February 10, 1961	490	580.97	524,120.72
February 10, 1961	514	105,928.17	630,048.89
March 7, 1961	552	105,463.93	735,512.82
March 10, 1961	567	559.29	736,072.11
March 27, 1961	628	105,790.16	841,862.27
April 10, 1961	643	528.66	842,390.93
April 26, 1961	681	105,679.38	948,070.31

ENCLOSURE 19058

U. S. CIVIL SERVICE COMMISSION

GPO 16-252-1